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SUBJECT: MACAU SENIOR OFFICIALS DISCUSS ECONOMIC
DEVELOPMENT PLANS

¶1. (U) Summary. Macau Chief Executive Edmund Ho and the PRC's Ministry of Foreign Affairs Commissioner in Macau Wan Yongxiang told CG James Cunningham that Macau would sustain at least a 10 percent GDP growth rate through 2006. Looking toward Macau's development plans during the next five years (2006 - 2010), Macau would focus on developing its transportation infrastructure and its gaming, convention and tourism industries. Both Ho and Wan expressed concerns that labor force constraints would pose significant challenges during this period. Cunningham stated U.S. business interests would contribute to the development of Macau's economy and be a positive force during Macau's adjustment period. He encouraged both Ho and Wan to take advantage of U.S. companies' expertise in the transportation and services industries as Macau continues to develop. End Summary.

¶2. (U) Ho told the CG that during the first half of 2006, Macau's GDP grew by 17.6 percent, led by strong growth in its export and tourism industries. Ho expects that the rate of growth would slow during the second half of 2006, and forecast an overall 2006 growth figure of 11 percent. Ho then outlined Macau's development plans for 2006 - 2010. Transportation infrastructure development would be central to Macau's growth. Macau's government will decide in early 2007 whether to build a light rail system, which would then take three to four years to construct, said Ho. Macau would continue to encourage international investment to develop the reclaimed land between Macau's two offshore islands, Taipa and Coloane (the "Cotai" area) as a resort, convention and gaming center over the next 5 years. Guangzhou, Shenzhen and Macau would also cooperate in the construction of a regional rapid rail system. Ho stated that the rail system would provide passengers a fast, comfortable 30-minute ride from Guangzhou to Macau and would also connect Shenzhen and Macau via Guangzhou. Macau is positioning itself to be the preferred tourist destination in the Pearl River Delta, where mainland tourists can enjoy upscale dining, entertainment and gaming, Ho claimed.

¶3. (U) Wan also told the CG that Macau's GDP grew 17.6 percent during the first half of 2006, but forecast a higher annual growth rate than Ho, at approximately 15 percent. Wan cited several reasons for Macau's continued impressive growth, including support from the PRC central government, continued implementation of China's opening-up policy, tourism rights for mainland residents to travel to Macau and the introduction of foreign direct investment (Wynn's Macau Resort being a prime example). Wan stated that Macau's overall goal is to develop into a more diversified economy. He noted that the Wynn Macau Resort, which celebrated its grand opening on September 5, was the second large-scale U.S. gaming operation to open in Macau. (In 2004, the Sands Casino became the first U.S. gaming operator to open in Macau.) The introduction of additional gaming operators into Macau would lead to a bigger, stronger gaming industry, which in turn would spur

additional growth in related industries such as the convention and resort industries, Wan stated. Macau desires to grow into an international tourist and convention destination, where both international and local gaming operators must operate within the law.

¶4. (U) Ho and Wan acknowledged that Macau would face challenges created by the interaction of Macau's small labor pool with increased economic development and business growth. Wan stated that due to the limited labor pool, higher paying casinos will have an adverse impact on the labor forces in other sectors. Macau will also have to deal with the dominance of the gaming industry in its economy and a growing income gap between those who are benefiting from Macau's economic development and those who are not.

Cunningham